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| APPLICATION NO.   | FILING DATE | FIRST NAMED INVENTOR | ATTORNEY DOCKET NO.       | CONFIRMATION NO. |
|---|-------------|----------------------|---------------------------|------------------|
| 10/064,783  | 08/16/2002  | Lawrence Lederman    | 02012-40137               | 4083             |
| 27171   | 7590        | 06/19/2006           | EXAMINER                  |                  |
| MILBANK, TWEED, HADLEY & MCCLOY<br>1 CHASE MANHATTAN PLAZA<br>NEW YORK, NY 10005-1413 |             |                      | SUBRAMANIAN, NARAYANSWAMY |                  |
|   |             |                      | ART UNIT                  | PAPER NUMBER     |
|   |             |                      | 3624                      |                  |

DATE MAILED: 06/19/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

|                              |   |   |  |
|------------------------------|---|---|--|
| <b>Office Action Summary</b> | <b>Application No.</b><br>10/064,783        | <b>Applicant(s)</b><br>LEDERMAN, LAWRENCE |  |
|                              | <b>Examiner</b><br>Narayanswamy Subramanian | <b>Art Unit</b><br>3624                   |  |

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

#### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### Status

- 1) ☒ Responsive to communication(s) filed on 27 March 2006.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### Disposition of Claims

- 4) ☒ Claim(s) 1-17 and 116-119 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-17 and 116-119 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

#### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### Attachment(s)

- |  |   |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892)   | 4) <input type="checkbox"/> Interview Summary (PTO-413)<br>Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)                                   | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152)             |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)<br>Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____  |

**DETAILED ACTION**

1. In view of the appeal brief filed on filed on March 27, 2006, PROSECUTION IS HEREBY REOPENED. The rejections cited are as stated below:

To avoid abandonment of the application, appellant must exercise one of the following two options:

(1) file a reply under 37 CFR 1.111 (if this Office action is non-final) or a reply under 37 CFR 1.113 (if this Office action is final); or,

(2) request reinstatement of the appeal.

If reinstatement of the appeal is requested, such request must be accompanied by a supplemental appeal brief, but no new amendments, affidavits (37 CFR 1.130, 1.131 or 1.132) or other evidence are permitted. See 37 CFR 1.193(b)(2).

**Claim Rejections - 35 USC § 101**

2. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

3. Claims 1-17 and 116-119 are rejected under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory Subject matter.

35 USC 101 requires that in order to be patentable the invention must be a “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof” (emphasis added).

Claims 1-17 and 116-119 are rejected under 35 U.S.C. § 101 for failing to produce useful, concrete and tangible result. Claim 1 recites the step of “providing a company board of directors with authority to implement the condition” that doesn't ensure anything real world, so it

lacks tangibility. The result of this step appears to be that the board is given certain authority. This does not appear to yield a practical application. The provision of authority is not tangible, it is an abstract idea. Merely providing authority does not produce a useful result since nothing specific or substantial occurs.

Claims 116-119 recite the steps of “determining a debt concentration threshold” and “associating a condition with the debt instrument”, that doesn't ensure anything real world, so it lacks tangibility. There is no real world practical application derived from implementing these steps.

The Court of Appeals for the Federal Circuit issued opinions in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F. 3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 50 USPQ2d 1447 (Fed. Cir. 1999). These decisions explained that, to be eligible for patent protection, the claimed invention as a whole must accomplish a practical application. That is, it must produce a “useful, concrete and tangible result.” *State Street*, 149 F.3d at 1373-74, 47 USPQ2d at 1601 02. To satisfy section 101 requirements, the claim must be for a practical application of the § 101 judicial exception, which can be identified in various ways: (a) The claimed invention “transforms” an article or physical object to a different state or thing. (b) The claimed invention otherwise produces a useful, concrete and tangible result, based on the factors discussed below.

The USPTO's official interpretation of the utility requirement provides that the utility of an invention has to be (i) specific, (ii) substantial and (iii) credible. See MPEP § 2107.

The tangible requirement does require that the claim must recite more than a § 101 judicial exception, in that the process claim must set forth a practical application of that § 101

judicial exception to produce a real-world result. Benson, 409 U.S. at 71-72, 175 USPQ at 676-77 (invention ineligible because had “no substantial practical application”).

For an invention to produce a “concrete” result, the process must have a result that can be substantially repeatable or the process must substantially produce the same result again. In re Swartz, 232 F.3d 862, 864, 56 USPQ2d 1703, 1704 (Fed. Cir. 2000) (where asserted result produced by the claimed invention is “irreproducible” claim should be rejected under section 101). The opposite of “concrete” is unrepeatable or unpredictable.

There is no useful, concrete and tangible result produced from implementing the steps of the claimed invention. Claims 2-17 are rejected for the same reason and by way of dependency on a rejected independent claim.

***Claim Rejections - 35 USC § 112***

4. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter, which the applicant regards as his invention.

5. Claims 1-17 and 116-119 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claims 1 and 116-119 recite “A method for managing concentration of debt” in the preamble. However it is not clear how this objective of managing the concentration of debt is achieved by the steps of the claim. In claim 1, the last step of providing the board with authority to implement does not necessarily result in the implementation of the condition and changing the parameter of the debt instrument. Further the limitation “as the board of directors deems appropriate” is vague and unclear. The metes and bounds of this limitation are indeterminate. In claims 116-119, it is not clear how the last step of

associating a condition with a debt instrument results in managing concentration of debt.

Appropriate clarification/correction is required. Claims 2-17 are rejected by way of dependency.

Also in claims 1 and 116-119, the relationship between the board of directors and the debt instrument is not clear. Do the board of directors and the debt instrument belong to the same business entity? If they do not belong to the same business entity, what is the basis for implementing a change in the debt parameter? Is the debt concentration threshold for the same business entity as the debt instrument? These claims also recite the limitations “associating a condition with a debt instrument” and “the condition available when an entity holds more debt instruments than the debt concentration threshold”. It is not clear if “more debt instruments” are more of the same debt instrument with which a condition was associated? It is not clear if the condition is available when an entity holds more debt instruments (of different debtors) than the debt concentration threshold? Appropriate clarification/correction is required. Claims 2-17 are rejected by way of dependency.

Claims 1-17 and 116-119 are rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential structural cooperative relationships of elements, such omission amounting to a gap between the necessary structural connections. See MPEP § 2172.01. In claims 1 and 116-119 it is not clear as to how the steps of “determining a debt concentration threshold; and associating a condition with a debt instrument ...” lead to the claimed objective of managing concentration of debt. Specifically the step of “changing at least one parameter when an entity holds more of the same debt instrument than the debt concentration threshold” is missing from these claims. Claims 2-17 are rejected by dependency. Appropriate clarification/correction is required.

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The art rejections are made in light of the 35 USC 112, second paragraph rejections above.

**Claim Rejections - 35 USC § 103**

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1-17 and 116-119 are rejected under 35 U.S.C. 103(a) as being unpatentable over King (US Patent 6,148,293).

Claims 1, 6, and 12-14, King discloses a method for changing at least one parameter of the debt instrument when a condition associated with a debt instrument changes. (See King Column 6 line 64 - Column 7 line 8, claims 1-4).

King does not explicitly teach the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold.

Official notice is taken that the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold is old and well known in the art. For instance when all secured debt of a business is held by one entity and the debt covenant may specify that all additional debt against the collateral will be subordinate to the debt currently held by the entity. Such specification can apply to currently held debt and/or future debt. The debt held by the entity would then in effect be the debt concentration threshold. Changing the threshold can be negotiated between the lender and the

borrower. Such steps help the business owners from getting into too much debt and thereby lose control of the business and it also helps the secured lenders maintain their priority of claims over the collateral.

It would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold to the disclosure of King. The combinations of the disclosures taken as a whole suggests that it would have helped the business owners from getting into too much debt and thereby lose control of their business and it would have also helped the secured lenders maintain their priority of claims over the collateral. With reference to claims 2-4, King teaches the steps of issuing the debt instrument with the associated condition and changing at least one parameter of the debt instrument (See King Claim 1).

Claim 5, King teaches the step of monitoring the associated condition (See King Column 17 lines 66-67).

Claims 7-11, King teaches the step where the entity is an investor (See King Column 5 lines 59-62).

King does not explicitly teach an individual investor, an institutional investor, an affiliated group of investors, or a group of investors acting in concert.

Official notice is taken that interpretation of investors to include individual investor, an institutional investor, an affiliated group of investors, or a group of investors acting in concert is old and well known in the art. Such interpretation avoids discrimination against investors regardless of whether they are acting alone or a group.



It would have been obvious to one with ordinary skill in the art at the time of invention to include investors including an individual investor, an institutional investor, an affiliated group of investors, or a group of investors acting in concert to the disclosure of King. The combination of the disclosures taken as a whole suggests investors would have benefited from being treated fairly and not being discriminated against regardless of whether they are acting alone or a group.

Claims 15-17, King teaches the method of claim 1.

King does not explicitly teach the steps wherein parameter changed by the condition serves to restrict voting, restrict redemption of the debt instrument or change the series of the debt instrument.

Official notice is taken that the steps of restricting voting, restricting redemption of the debt instrument or changing the series of the debt instrument when an associated condition changes are old and well known in the art. Such indenture provisions are common in debt issues and serve to make the terms and conditions clear to both the lender and the borrower. It protects the lender against unscrupulous acts by the borrower and protects the borrowers against hostile actions by the lenders.

It would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of restricting voting, restricting redemption of the debt instrument or changing the series of the debt instrument when an associated condition changes to the disclosure of King.

The combination of the disclosures taken as a whole suggests such steps would serve to protect the lender against unscrupulous acts by the borrower and protect the borrowers against hostile actions by the lenders.

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Claims 18 and 19, King discloses methods for issuing a debt instrument, monitoring a condition associated with the debt instrument and changing at least one parameter of the debt instrument when the condition associated with a debt instrument changes. (See King Column 6 line 64 - Column 7 line 8, Column 7 lines 30-35, Column 17 lines 66-67 and claims 1- 4).

King does not explicitly teach the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold.

Official notice is taken that the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold is old and well known in the art. For instance when all secured debt of a business is held by one entity and the debt covenant may specify that all additional debt against the collateral will be subordinate to the debt currently held by the entity. The debt held by the entity would then in effect be the debt concentration threshold. Such steps help the business owners from getting into too much debt and thereby lose control of the business and it also helps the secured lenders maintain their priority of claims over the collateral.

It would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold to the disclosure of King. The combinations of the disclosures taken as a whole suggests that it would have helped the business owners from getting into too much debt and thereby lose control of their business and it would have also helped the secured lenders maintain their priority of claims over the collateral.

Claim 116, King discloses a method, for changing at least one parameter of the debt instrument when a condition associated with a debt instrument changes (See King Column 6 line 64 - Column 7 line 8, claims 1-4).

King does not explicitly teach the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold.

Official notice is taken that the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold is old and well known in the art. For instance when all secured debt of a business is held by one entity and the debt covenant may specify that all additional debt against the collateral will be subordinate to the debt currently held by the entity. Such specification can apply to currently held debt and/or future debt. The debt held by the entity would then in effect be the debt concentration threshold. Changing the threshold can be negotiated between the lender and the borrower. Such steps help the business owners from getting into too much debt and thereby lose control of the business and it also helps the secured lenders maintain their priority of claims over the collateral. If the board of directors have the authority to unilaterally change the rules about debt holdings, such rules must be clearly specified in the debt covenant before the debt is issued or negotiated with the debt holders after the issuance of debt. Otherwise changing the rules about debt holdings will not be legal under the existing laws.

It would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold to the disclosure of King. The combinations of the disclosures taken as a whole suggests that it would have helped the business

owners from getting into too much debt and thereby lose control of their business and it would have also helped the secured lenders maintain their priority of claims over the collateral.

Claims 117-119, please see the rejection of claims 14-16.

### **Response to Arguments**

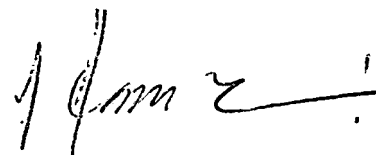
8. Applicant's arguments with respect to the pending claims 1-17 and 116-119 have been considered but are moot in view of new grounds of rejection.

### **Conclusion**

9. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Dr. Narayanswamy Subramanian whose telephone number is (571) 272-6751. The examiner can normally be reached Monday-Thursday from 8:30 AM to 7:00 PM. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached at (571) 272-6747. The fax number for Formal or Official faxes and Draft to the Patent Office is (571) 273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PMR or Public PAIR. Status information for unpublished applications is available through Private PMR only. For more information about the PMR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

N. Subramanian N.S.  
June 12, 2006



**HANI M. KAZIMI  
PRIMARY EXAMINER**